



Arthur Morris & Company Limited

Chartered Professional Accountants

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April 28, 2021

Report of Independent Auditors

To the Board of Directors of Osprey Re Ltd.

We have audited the accompanying condensed financial statements of Osprey Re Ltd., which comprise the condensed balance sheets and condensed statements of capital and surplus as of December 31, 2020 and December 31, 2019, and the related condensed statements of income for the years then ended, and the related notes to the condensed financial statements.

Management's responsibility for the condensed financial statements

Management is responsible for the preparation and fair presentation of the condensed financial statements in accordance with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to condensed general purpose financial statements (the 'Legislation'). Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of condensed financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the condensed financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the condensed financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the condensed financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the condensed financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the condensed financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the condensed financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

April 28, 2021

Basis for adverse opinion on U.S. generally accepted accounting principles

As described in Note 3 of the condensed financial statements, the condensed financial statements are prepared by the Company on the basis of the financial reporting provisions of the Legislation, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the condensed financial statements of the variances between the regulatory basis of accounting described in Note 3 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse opinion on U.S. generally accepted accounting principles

In our opinion, because of the significance of the matter discussed in the “Basis for adverse opinion on U.S. generally accepted accounting principles” paragraph, the condensed financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as December 31, 2020 and December 31, 2019 or the results of its operations or its cash flows for the years then ended.

Opinion on regulatory basis of accounting

In our opinion, the condensed financial statements referred to above present fairly, in all material respects, the financial position of Osprey Re Ltd. as of December 31, 2020 and December 31, 2019, and the results of its operations for the years then ended in accordance with the financial reporting provisions of the Legislation described in Note 3.

Arthur Morris & Company Limited

**Chartered Professional Accountants
Hamilton, Bermuda
April 28, 2021**

CONDENSED CONSOLIDATED BALANCE SHEET

Osprey Re Ltd.

As at **December 31, 2020**

expressed in ['000s] **United States Dollars**

LINE No.		2020	2019
1.	CASH AND CASH EQUIVALENTS	34,580	23,389
2.	QUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity		
	ii. Other		
(b)	Total Bonds and Debentures	-	-
(c)	Equities		
	i. Common stocks		
	ii. Preferred stocks		
	iii. Mutual funds		
(d)	Total equities	-	-
(e)	Other quoted investments		
(f)	Total quoted investments	-	-
3.	UNQUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity		
	ii. Other		
(b)	Total Bonds and Debentures	-	-
(c)	Equities		
	i. Common stocks		
	ii. Preferred stocks		
	iii. Mutual funds		
(d)	Total equities	-	-
(e)	Other unquoted investments		
(f)	Total unquoted investments	-	-
4.	INVESTMENTS IN AND ADVANCES TO AFFILIATES		
(a)	Unregulated entities that conduct ancillary services		
(b)	Unregulated non-financial operating entities		
(c)	Unregulated financial operating entities		
(d)	Regulated non-insurance financial operating entities		
(e)	Regulated insurance financial operating entities		
(f)	Total investments in affiliates	-	-
(g)	Advances to affiliates		
(h)	Total investments in and advances to affiliates	-	-
5.	INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE:		
(a)	First liens		
(b)	Other than first liens		
(c)	Total investments in mortgage loans on real estate	-	-
6.	POLICY LOANS		
7.	REAL ESTATE:		
(a)	Occupied by the company (less encumbrances)		
(b)	Other properties (less encumbrances)		
(c)	Total real estate	-	-
8.	COLLATERAL LOANS		
9.	INVESTMENT INCOME DUE AND ACCRUED	1	29
10.	ACCOUNTS AND PREMIUMS RECEIVABLE:		
(a)	In course of collection		
(b)	Deferred - not yet due		
(c)	Receivables from retrocessional contracts		
(d)	Total accounts and premiums receivable	-	-
11.	REINSURANCE BALANCES RECEIVABLE:		
(a)	Foreign affiliates	27,500	16,250
(b)	Domestic affiliates		
(c)	Pools & associations		
(d)	All other insurers		
(e)	Total reinsurance balance receivable	27,500	16,250
12.	FUNDS HELD BY CEDING REINSURERS		

CONDENSED CONSOLIDATED BALANCE SHEET

Osprey Re Ltd.

As at **December 31, 2020**

expressed in ['000s] **United States Dollars**

LINE No.		2020	2019
13.	SUNDRY ASSETS:		
(a)	Derivative instruments		
(b)	Segregated accounts companies - long-term business - variable annuities		
(c)	Segregated accounts companies - long-term business - other		
(d)	Segregated accounts companies - general business		
(e)	Deposit assets		
(f)	Deferred acquisition costs	20,589	8,726
(g)	Net receivables for investments sold		
(h)	Deferred Tax Asset and Tax Deposit	1,663	3,070
(i)	Prepaid Expenses	21	16
(j)	Other Sundry Assets (Specify)		
(k)	Total sundry assets	22,273	11,812
14.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS		
(a)	Letters of credit		
(b)	Guarantees		
(c)	Other instruments		
(e)	Total letters of credit, guarantees and other instruments	-	-
15.	TOTAL	84,354	51,480
	TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS		
16.	UNEARNED PREMIUM RESERVE		
(a)	Gross unearned premium reserves	55,172	25,848
(b)	Less: Ceded unearned premium reserve		
	i. Foreign affiliates		
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other insurers		
(c)	Total ceded unearned premium reserve	-	-
(d)	Net unearned premium reserve	55,172	25,848
17.	LOSS AND LOSS EXPENSE PROVISIONS:		
(a)	Gross loss and loss expense provisions	5,945	4,107
(b)	Less : Reinsurance recoverable balance		
	i. Foreign affiliates		
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other reinsurers		
(c)	Total reinsurance recoverable balance	-	-
(d)	Net loss and loss expense provisions	5,945	4,107
18.	OTHER GENERAL BUSINESS INSURANCE RESERVES		
19.	TOTAL GENERAL BUSINESS INSURANCE RESERVES	61,117	29,955
	LONG-TERM BUSINESS INSURANCE RESERVES		
20.	RESERVE FOR REPORTED CLAIMS		
21.	RESERVE FOR UNREPORTED CLAIMS		
22.	POLICY RESERVES - LIFE		
23.	POLICY RESERVES - ACCIDENT AND HEALTH		
24.	POLICYHOLDERS' FUNDS ON DEPOSIT		
25.	LIABILITY FOR FUTURE POLICYHOLDERS' DIVIDENDS		
26.	OTHER LONG-TERM BUSINESS INSURANCE RESERVES		
27.	TOTAL LONG-TERM BUSINESS INSURANCE RESERVES		
(a)	Total Gross Long-Term Business Insurance Reserves	-	-
(b)	Less: Reinsurance recoverable balance on long-term business		
	(i) Foreign Affiliates		
	(ii) Domestic Affiliates		
	(iii) Pools and Associations		
	(iv) All Other Insurers		
(c)	Total Reinsurance Recoverable Balance	-	-
(d)	Total Net Long-Term Business Insurance Reserves	-	-
	OTHER LIABILITIES		
28.	INSURANCE AND REINSURANCE BALANCES PAYABLE	595	1,794
29.	COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE		
30.	LOANS AND NOTES PAYABLE		
31.	(a) INCOME TAXES PAYABLE		
	(b) DEFERRED INCOME TAXES	2,088	779
32.	AMOUNTS DUE TO AFFILIATES	8,287	12,760

CONDENSED CONSOLIDATED BALANCE SHEET

Osprey Re Ltd.

As at December 31, 2020

expressed in ['000s] United States Dollars

LINE No.		2020	2019
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	19	20
34.	FUNDS HELD UNDER REINSURANCE CONTRACTS:		
35.	DIVIDENDS PAYABLE		
36.	SUNDRY LIABILITIES:		
(a)	Derivative instruments		
(b)	Segregated accounts companies		
(c)	Deposit liabilities		
(d)	Net payable for investments purchased		
(e)	Other sundry liabilities (specify)		
(f)	Other sundry liabilities (specify)		
(g)	Other sundry liabilities (specify)		
(h)	Total sundry liabilities	-	-
37.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS:		
(a)	Letters of credit		
(b)	Guarantees		
(c)	Other instruments		
(d)	Total letters of credit, guarantees and other instruments	-	-
38.	TOTAL OTHER LIABILITIES	10,989	15,353
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	72,106	45,308
	CAPITAL AND SURPLUS		
40.	TOTAL CAPITAL AND SURPLUS	12,248	6,172
41.	TOTAL	84,354	51,480
		TRUE	TRUE
		-	-

CONDENSED CONSOLIDATED STATEMENT OF INCOME

Osprey Re Ltd.

 As at
 expressed in ['000s]

 December 31, 2020
 United States Dollars

LINE No.		2020	2019
	GENERAL BUSINESS UNDERWRITING INCOME		
1.	GROSS PREMIUMS WRITTEN		
	(a) Direct gross premiums written	-	
	(b) Assumed gross premiums written	72,767	27,207
	(c) Total gross premiums written	72,767	27,207
2.	REINSURANCE PREMIUMS CEDED		
3.	NET PREMIUMS WRITTEN	72,767	27,207
4.	INCREASE (DECREASE) IN UNEARNED PREMIUMS	(29,324)	(5,903)
5.	NET PREMIUMS EARNED	43,443	21,304
6.	OTHER INSURANCE INCOME		
7.	TOTAL GENERAL BUSINESS UNDERWRITING INCOME	43,443	21,304
	GENERAL BUSINESS UNDERWRITING EXPENSES		
8.	INCURRED	32,870	15,961
9.	COMMISSIONS AND BROKERAGE	10,637	7,005
10.	TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	43,507	22,966
11.	NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS	(64)	(1,662)
	LONG-TERM BUSINESS INCOME		
12.	GROSS PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Direct gross premiums and other considerations		
	(b) Assumed gross premiums and other considerations	-	-
	(c) Total gross premiums and other considerations	-	-
13.	PREMIUMS CEDED		
14.	NET PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Life		
	(b) Annuities		
	(c) Accident and health		
	(d) Total net premiums and other considerations	-	-
15.	OTHER INSURANCE INCOME		
16.	TOTAL LONG-TERM BUSINESS INCOME	-	-
	LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES		
17.	CLAIMS - LIFE		
18.	POLICYHOLDERS' DIVIDENDS		
19.	SURRENDERS		
20.	MATURITIES		
21.	ANNUITIES		
22.	ACCIDENT AND HEALTH BENEFITS		
23.	COMMISSIONS		
24.	OTHER		
25.	TOTAL LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES	-	-
26.	INCREASE (DECREASE) IN POLICY RESERVES (ACTUARIAL LIABILITIES):		
	(a) Life		
	(b) Annuities		
	(c) Accident and health		
	(d) Total increase (decrease) in policy reserves	-	-
27.	TOTAL LONG-TERM BUSINESS EXPENSES	-	-
28.	NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS	-	-
29.	COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS	(64)	(1,662)
	UNDERNOTED ITEMS		
30.	COMBINED OPERATING EXPENSE		
	(a) General and administration	378	218
	(b) Personnel cost		
	(c) Other		

CONDENSED CONSOLIDATED STATEMENT OF INCOME

Osprey Re Ltd.

As at
expressed in ['000s]December 31, 2020
United States Dollars

LINE No.		2020	2019
	(d) Total combined operating expenses	378	218
31.	COMBINED INVESTMENT INCOME - NET	107	373
32.	COMBINED OTHER INCOME (DEDUCTIONS)		
33.	COMBINED INCOME BEFORE TAXES	(335)	(1,507)
34.	COMBINED INCOME TAXES (IF APPLICABLE):		
	(a) Current	(1,722)	(367)
	(b) Deferred	1,310	1,763
	(c) Total	(412)	1,396
35.	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	77	(2,903)
36.	COMBINED REALIZED GAINS (LOSSES)		
37.	COMBINED INTEREST CHARGES		
38.	NET INCOME	77	(2,903)

CONDENSED CONSOLIDATED STATEMENT OF CAPITAL AND SURPLUS

Osprey Re Ltd.

As at December 31, 2020
expressed in ['000s] United States Dollars

LINE No.		2020	2019
1.	CAPITAL:		
(a)	Capital Stock		
	(i) Common Shares		
	authorized 120,000 shares of par	120	120
	value \$ 1,000 each issued and		
	fully paid 120,000 shares		
	(ii)		
	(A) Preferred shares:		
	authorized _____ shares of par		
	value _____ each issued and		
	fully paid _____ shares		
	aggregate liquidation value for —		
	2020 _____		
	2019 _____		
	(B) Preferred shares issued by a subsidiary:		
	authorized _____ shares of par		
	value _____ each issued and		
	fully paid _____ shares		
	aggregate liquidation value for —		
	2020 _____		
	2019 _____		
	(iii) Treasury Shares		
	repurchased _____ shares of par		
	value _____ each issued		
(b)	Contributed surplus	14,800	8,800
(c)	Any other fixed capital		
	(i) Hybrid capital instruments		
	(ii) Guarantees and others		
	(iii) Total any other fixed capital	-	-
(d)	Total Capital	14,920	8,920
2.	SURPLUS:		
(a)	Surplus - Beginning of Year	(2,748)	155
(b)	Add: Income for the year	77	(2,903)
(c)	Less: Dividends paid and payable		
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments		
(e)	Add (Deduct) change in any other surplus		
(f)	Surplus - End of Year	(2,672)	(2,748)
3.	MINORITY INTEREST		
4.	TOTAL CAPITAL AND SURPLUS	12,248	6,172

OSPREY RE LTD.

NOTES TO CONDENSED CONSOLIDATED GENERAL PURPOSE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2020

Matters to be set forth in a General Note to the Financial Statements

1. Osprey Re Ltd. (the “Company”) was incorporated on April 23, 2013 as an exempted company with the Registrar of Companies in Bermuda. Effective May 31, 2013, the Company registered as a Class 3A insurer under The Bermuda Insurance Act 1978 and related regulations (the “Act”). The Company is wholly owned by Heritage Insurance Holdings Inc. (the “Parent”), formerly Heritage Insurance Holding LLC, a corporation domiciled in Delaware, USA.
2. The Company provides Florida and Hawaii catastrophic reinsurance coverage to its affiliated companies, Heritage Property & Casualty Insurance Company (“HPCI”) and Zephyr Insurance Company (“Zephyr”) respectively. The Company covered exposure to catastrophic events caused by natural events such as high winds, tornadoes, tropical storms and hurricanes.
3. The condensed general purpose financial statements have been prepared in conformity with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to Condensed General Purpose Financial Statements (the “Legislation”). The condensed general purpose financial statements are based on United States of America Generally Accepted Accounting Principles (“US GAAP”) but are in accordance with the reporting requirements of the Legislation, which varies in certain respects from US GAAP.
4. The significant accounting policies are as follows:

- a. Premiums

Premiums assumed are recorded on the accruals basis and are included in income in the period to which they relate. Commissions are recorded on the accrual basis. The portion of premiums unearned as of the date of commutation are recorded as an adjustment to premiums written.

- b. Cash and time deposits

The Company considers all highly liquid investments and those investments with an original maturity date of 90 days or less as equivalent to cash.

- c. Loss and loss expenses

Loss and loss expenses paid are recorded when advised by the ceding insurance company. Outstanding losses comprise estimates for aggregate losses in excess of the Company’s attachment point based on information received from the claims administrators plus a provision for losses incurred but not reported. Management believes that the provision will be adequate to cover the ultimate net cost of losses incurred to the balance sheet date but the provision is necessarily an estimate and may ultimately be settled for a greater or lesser amount. Any subsequent differences arising are recorded in the period in which they are determined.

OSPREY RE LTD.

**NOTES TO CONDENSED CONSOLIDATED GENERAL PURPOSE FINANCIAL
STATEMENTS AS AT DECEMBER 31, 2020**

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d. Income Taxes

The Company has received an approval for Election provided for by Internal Revenue Code Section 953(d) to be treated as a domestic U.S. corporation, for tax purposes. Deferred income taxes reflect the impact of “temporary differences” between the amount of assets and liabilities for statutory reporting purposes and such amounts measured by tax laws.

The Company has been included in the consolidated US income tax return of its parent, Heritage Insurance Holdings, Inc.

5. Premiums income – see note 4 a.

Investment income – not applicable.

Commission income – not applicable

6. Not applicable.

7. Not applicable.

8. Not applicable.

9. Not applicable.

10. Not applicable.

11. Not applicable.

12. Not applicable.

13. Not applicable.

14. Not applicable.

15. Not applicable.

16. Not applicable.

17. As of the reporting period, the Company met the minimum solvency margin and liquidity ratio.

OSPREY RE LTD.

**NOTES TO CONDENSED CONSOLIDATED GENERAL PURPOSE FINANCIAL
STATEMENTS AS AT DECEMBER 31, 2020**

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Matters to be set forth in Notes to the Consolidated Statement of Capital and Surplus

1. (a) Capital Stock
Authorized, Issued and fully paid 120,000 Common shares of par value US\$1.00.
- (b) Contributed surplus
During the period the parent company contributed surplus of \$6,000,000 (2019:- \$0) by way of debt cancelation.
2. (c) Dividends paid and payable
Not applicable.

Matters to be set forth in Notes to the Consolidated Balance Sheet

1. Cash and cash equivalents
Not applicable.
2. Quoted investments
Not applicable.
3. Unquoted investments
Not applicable.
4. Investment in and advances to affiliates
Not applicable.
5. Investments in mortgage loans on real estate
Not applicable.
6. Policy loans
Not applicable.
7. Real estate
Not applicable.
8. Collateral loans
Not applicable.
9. Investment income due and accrued
Not applicable.
10. Accounts and premiums receivable
Not applicable.

OSPREY RE LTD.

**NOTES TO CONDENSED CONSOLIDATED GENERAL PURPOSE FINANCIAL
STATEMENTS AS AT DECEMBER 31, 2020**

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11. Reinsurance balances receivable
As at December 31, 2020, the Company reports a balance receivable of \$27,500,000 due from Heritage P&C (HPCI) which is an affiliated company.
12. Funds held by ceding reinsurers
Not Applicable.
13. Sundry assets
Included in sundry asset is deferred acquisition cost of \$20,589,041 which is calculated pro rata over the terms of the coverage in place. Also, there is a tax deposit of \$1,663,040 as a result of the commutation agreement transactions.
14. Letters of credit, guarantees and other
Not Applicable.
16. Unearned premium reserve
Represents the unearned portion on ceded premiums which is calculated pro rata over the terms of the coverage in place.
17. Loss and loss expense provisions
As at December 31, 2020, the Company reports a loss and loss expense provisions of \$5,945,022.
20. Reserves for reported claims
Not Applicable.
21. Reserves for unreported claims
Not Applicable.
22. Policy reserves – life
Not Applicable.
23. Policy reserves accident and health
Not Applicable.
24. Policyholders’ funds on deposit
Not Applicable.
25. Liability for future policyholders’ dividends
Not Applicable.
26. Other insurance reserves - long term
Not Applicable.

OSPREY RE LTD.

**NOTES TO CONDENSED CONSOLIDATED GENERAL PURPOSE FINANCIAL
STATEMENTS AS AT DECEMBER 31, 2020**

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27. Total long-term business insurance reserves
Not Applicable.

28. Insurance and reinsurance balances payable
As at December 31, 2020, the Company reports losses payable of \$595,228.

29. Commissions, expenses, fees and taxes payable
Not Applicable.

30. Loans and notes payable
Not Applicable.

31(a) Income taxes payable

(i) Bermuda taxes

Under current Bermuda law, the Company is not required to pay any taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Minister of Finance in Bermuda that in the event of any such taxes being imposed, the Company will be exempted from taxation until the year 2035.

(ii) US taxes

The Company has received an approval for Election provided for by Internal Revenue Code Section 953(d) to be treated as a domestic U.S. corporation, for tax purposes. Deferred income taxes reflect the impact of “temporary differences” between the amount of assets and liabilities for statutory reporting purposes and such amounts measured by tax laws.

The Company has been included in the consolidated US income tax return of its parent, Heritage Insurance Holdings, Inc

31(b) As at December 31, 2020 the Company reports deferred tax liability of \$2,088,056.

32. Amounts due to affiliates
Amounts due to affiliates comprise promissory note payable of \$8,286,683. On August 26, 2019, the company entered into a promissory note of \$10,774,437 with Heritage Insurance Holdings, Inc.

33. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities relates to the general administrative expenses of the Company.

OSPREY RE LTD.

**NOTES TO CONDENSED CONSOLIDATED GENERAL PURPOSE FINANCIAL
STATEMENTS AS AT DECEMBER 31, 2020**

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- 34. Funds held under reinsurance contracts
Not applicable

- 35. Dividends payable
Not applicable.

- 36. Sundry liabilities
Not applicable.

- 37. Letters of credit, guarantees and other instruments
Not applicable.

Matters to be set forth in Notes to the Consolidated Statement of Income

- 6. Other insurance income
Not applicable.

- 15. Other insurance income
Not applicable.

- 32. Combined other income (deductions)
Not applicable.

- 36. Combined realized gains (loss)
Not applicable.